**BILL No. 3 OF 2026**

# THE FINANCE BILL, 2026

**(AS INTRODUCED IN LOK SABHA)**

# THE FINANCE BILL, 2026

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**AS INTRODUCED IN LOK SABHA**
**ON 1ST FEBRUARY, 2026**

**BILL NO. 3 OF 2026**

# THE FINANCE BILL, 2026

A

BILL

*to give effect to the financial proposals of the Central Government for the financial year* 2026-2027.

BE it enacted by Parliament in the Seventy-seventh Year of the Republic of India as follows:—

## CHAPTER I

## PRELIMINARY

Short title and commence-ment.

**1.** (*1*) This Act may be called the Finance Act, 2026.

(*2*) Save as otherwise provided in this Act,—

(*a*) sections 2 to 113, clause (b) of section 136 and section 140 shall come into force on the 1st day of April, 2026;

(*b*) clauses (c) and (d) of section 136 and section 142 shall come into force on the 1st day of May, 2026;

(*c*) sections 137 to 139 shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

## CHAPTER II
## RATES OF INCOME-TAX

Income-tax under Act 43 of 1961.

**2.** (*1*) Subject to the provisions of sub-sections (*2*), (*3*), (*4*) and (*5*), for the assessment year commencing on the 1st day of April, 2026, income-tax shall be charged under the provisions of the Income-tax Act, 1961 (herein referred to as the said Act) at the rates specified in Part I-A of the First Schedule and such tax shall be increased by a surcharge, for the purposes of the Union, calculated in each case in the manner provided therein. 43 of 1961.

(*2*) (*a*) Where an assessee as specified in column B of the Table below, has, in the previous year, any net agricultural income exceeding five thousand rupees, in addition to the total income, and the total income exceeds the maximum amount not chargeable to income-tax as specified in column C of the said Table, in respect of the said assessee, the net agricultural income shall be taken into account, only for the purpose of charging income-tax in respect of the total income.

TABLE

| Sl. No. | Assessee | Maximum amount not chargeable to income-tax |
|---|---|---|
| A | B | C |
| 1. | (i) Every individual other than the individual referred to in Sl. No. 2 or 3; or<br><br>(ii) Hindu undivided family; or<br><br>(iii) association of persons or body of individuals, whether incorporated or not; or<br><br>(iv) every artificial juridical person referred to in section 2(*31*)(*vii*) of the said Act,<br><br>not being an assessee to which Paragraph B, C, D or E of Part I-A of the First Schedule applies or to whom Sl. No. 4 applies. | Rs. 2,50,000. |
| 2. | Every individual, being a resident in India, who is of the age of sixty or more but less than eighty years at any time during the previous year. | Rs. 3,00,000. |
| 3. | Every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year. | Rs. 5,00,000. |

| | | |
|---|---|---|
| 4. | Assessee whose income is chargeable to tax under section 115BAC(*1A*) of the said Act. | Rs. 4,00,000. |

(*b*) For the purposes of clause (*a*), the income-tax chargeable shall be computed as per the following formula:—

$Z_o = X_o - Y_o$

where,—

$Z_o$ = the income-tax chargeable for the purposes of clause (*a*);

$X_o$ = the amount of income-tax determined in respect of the Aggregate Income ($AI_o$) at the rates specified in Paragraph A of Part I-A of the First Schedule or sub-section (1A) of section 115BAC of the said Act, as if such $AI_o$ were the total income; and

$Y_o$ = the amount of income-tax determined in respect of the net agricultural income increased by a sum as specified in column C of the Table mentioned in clause (*a*) at the rates specified in the said Paragraph A or sub-section (1A) of section 115BAC of the said Act, as if the net agricultural income as so increased were the total income;

Aggregate Income ($AI_o$) = Total income + Net agricultural income.

(*3*) In cases to which the provisions of Chapter XII or Chapter XII-A or section 115JB or section 115JC or Chapter XII-FA or Chapter XII-FB or sub-section (*1A*) of section 161 or section 164 or section 164A or section 167B of the said Act apply, the tax chargeable shall be determined—

(i) as provided in that Chapter or that section; and

(ii) with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter or section, as the case may be.

(*4*) For the purposes of sub-section (*3*),—

(*a*) the amount of income-tax computed in accordance with the provisions of section 111A or section 112 or section 112A of the said Act shall be increased by a surcharge, for the purposes of the Union, as provided in Paragraph F of Part I-A of the First Schedule, except in case of—

(i) a domestic company whose income is chargeable to tax under section 115BAA or section 115BAB of the said Act;

(ii) an individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the said Act whose income is chargeable to tax under sub-section (*1A*) of section 115BAC of the said Act; or

(iii) a co-operative society resident in India, whose income is chargeable to tax under section 115BAD or section 115BAE of the said Act;

(*b*) in respect of income chargeable to tax under the section as specified in column B of the Table below, in the case of a person as specified in column C of the said Table, the amount of income-tax computed shall be increased by a surcharge, for the purposes of the Union, calculated at the rate or rates as specified in column D of the said Table, of such income-tax.

TABLE

| Sl.No. | *Section* | *Person* | *Rate of surcharge* |
|---|---|---|---|
| A | B | C | D |
| 1. | 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BA, 115BB, 115BBA, 115BBC, 115BBF, 115BBG, 115BBH, 115BBI, 115BBJ, 115E, 115JB or 115JC. | (i) Every individual; or<br>(ii) Hindu undivided family; or<br>(iii) association of persons, except in a case of an association of persons consisting of only companies as its members, whether incorporated or not; or<br>(iv) body of individuals, whether incorporated or not; or<br>(v) every artificial juridical person | (i) Where the total income exceeds Rs. 50,00,000 but does not exceed Rs. 1,00,00,000, at the rate of ten per cent.;<br>(ii) where the total income exceeds Rs. 1,00,00,000 but does not exceed Rs. 2,00,00,000, at the rate of fifteen per cent.;<br>(iii) where the total income exceeds Rs. 2,00,00,000 but does not exceed Rs. 5,00,00,000, at the rate of twenty-five per cent.;<br>(iv) where the total income exceeds Rs. 5,00,00,000, at the rate of thirty-seven per cent. |

| | | | |
|---|---|---|---|
| | | referred to in section 2(*31*)(*vii*) of the said Act,<br><br>not having any income under section 115AD of the said Act and not having any income chargeable to tax under section 115BAC(*1A*) of the said Act. | |
| 2. | 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BA, 115BB, 115BBA, 115BBC, 115BBF, 115BBG, 115BBH, 115BBI, 115BBJ, 115E, 115JB or 115JC. | (i) Every individual; or<br><br>(ii) association of persons, except in a case of an association of persons consisting of only companies as its members, whether incorporated or not; or<br><br>(iii) body of individuals, whether incorporated or not; or<br><br>(iv) every artificial juridical person referred to in section 2(*31*)(*vii*) of the said Act,<br><br>having any income under section 115AD of the said Act, and not having any income chargeable to tax | (i) Where the total income exceeds Rs. 50,00,000 but does not exceed Rs. 1,00,00,000, at the rate of ten per cent.;<br><br>(ii) Where the total income exceeds Rs. 1,00,00,000 but does not exceed Rs. 2,00,00,000, at the rate of fifteen per cent.;<br><br>(iii) where the total income [excluding dividend income or short-term or long-term capital gains as referred to in section 115AD(1)(b) of the said Act] exceeds Rs. 2,00,00,000 but does not exceed Rs. 5,00,00,000, at the rate of twenty-five per cent.;<br><br>(iv) where the total income [excluding dividend income or short-term or long-term capital gains as referred to in section 115AD(*1*)(*b*) of the said Act] exceeds Rs. |

| | | | |
|---|---|---|---|
| | | under section 115BAC(*1A*) of the said Act. | 5,00,00,000, at the rate of thirty-seven per cent.;<br><br>(v) where the total income [including dividend income or short-term or long-term capital gains as referred to in section 115AD(*1*)(*b*) of the said Act] exceeds Rs. 2,00,00,000, but is not covered in clauses (*iii*) and (*iv*), at the rate of fifteen per cent.;<br><br>(vi) where the total income includes any dividend income or short-term or long-term capital gains as referred to in section 115AD(*1*)(*b*) of the said Act, the rate of surcharge on the income-tax calculated on that part of income shall not exceed fifteen per cent. and the provisions of clause (*i*) or (*ii*), as the case may be, shall apply accordingly. |
| 3. | 115A,<br>115AB,<br>115AC,<br>115ACA,<br>115AD,<br>115B,<br>115BA,<br>115BB,<br>115BBA,<br>115BBC,<br>115BBF,<br>115BBG,<br>115BBH,<br>115BBI,<br>115BBJ, | Association of persons consisting of only companies as its members. | (i) Where the total income exceeds Rs. 50,00,000 but does not exceed Rs. 1,00,00,000, at the rate of ten per cent.;<br><br>(ii) where the total income exceeds Rs. 1,00,00,000, at the rate of fifteen per cent. |

| | | | |
|---|---|---|---|
| | 115E, 115JB or 115JC. | | |
| 4. | 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BA, 115BB, 115BBA, 115BBC, 115BBF, 115BBG, 115BBH, 115BBI, 115BBJ, 115E, 115JB or 115JC. | Every co-operative society except such co-operative society whose income is chargeable to tax under section 115BAD or 115BAE of the said Act. | (i) Where the total income exceeds Rs. 1,00,00,000 but does not exceed Rs.10,00,00,000, at the rate of seven per cent.;<br><br>(ii) where the total income exceeds Rs. 10,00,00,000, at the rate of twelve per cent. |
| 5. | 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BA, 115BB, 115BBA, 115BBC, 115BBF, 115BBG, 115BBH, 115BBI, 115BBJ, 115E, 115JB or 115JC. | Every firm or local authority. | Where the total income exceeds Rs. 1,00,00,000, at the rate of twelve per cent. |
| 6. | 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BA, | Every domestic company except such domestic company whose income is chargeable to tax under section | (i) Where the total income exceeds Rs. 1,00,00,000 but does not exceed Rs. 10,00,00,000, at the rate of seven per cent.; |

| | | | |
|---|---|---|---|
| | 115BB, 115BBA, 115BBC, 115BBF, 115BBG, 115BBH, 115BBI, 115BBJ, 115E, 115JB or 115JC. | 115BAA or 115BAB of the said Act. | (ii) where the total income exceeds Rs. 10,00,00,000, at the rate of twelve per cent. |
| 7. | 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BA, 115BB, 115BBA, 115BBC, 115BBF, 115BBG, 115BBH, 115BBI, 115BBJ, 115E, 115JB or 115JC. | Every company, other than a domestic company. | (i) Where the total income exceeds Rs. 1,00,00,000 but does not exceed Rs. 10,00,00,000, at the rate of two per cent.;<br><br>(ii) where the total income exceeds Rs. 10,00,00,000, at the rate of five per cent. |
| 8. | 115BBE (*1*)(*i*). | Any assessee. | Twenty-five per cent. |
| 9. | 115BAA or 115BAB. | Every domestic company. | Ten per cent. |
| 10. | 115BAC (*1A*). | (i) Every individual; or<br><br>(ii) Hindu undivided family; or<br><br>(iii) association of persons, except in a case of an association of | (i) Where the total income (including dividend income or capital gains under the provisions of sections 111A, 112 and 112A of the said Act) exceeds Rs. 50,00,000 but does not exceed Rs. 1,00,00,000, at the rate of ten per cent.; |

| | |
|---|---|
| persons consisting of only companies as its members, whether incorporated or not; or | (ii) where the total income (including dividend income or capital gains under the provisions of sections 111A, 112 and 112A of the said Act) exceeds Rs. 1,00,00,000 but does not exceed Rs. 2,00,00,000, at the rate of fifteen per cent.; |
| (iv) body of individuals, whether incorporated or not; or | (iii) where the total income (excluding dividend income or capital gains under the provisions of sections 111A, 112 and 112A of the said Act) exceeds Rs. 2,00,00,000, at the rate of twenty-five per cent.; |
| (v) every artificial juridical person referred to in section 2(*31*)(*vii*) of the said Act. | (iv) where the total income (including dividend income or capital gains under the provisions of sections 111A, 112 and 112A of the said Act) exceeds Rs. 2,00,00,000, but is not covered in clause (*iii*) at the rate of fifteen per cent.; |
| | (v) where the total income includes any dividend income or capital gains under the provisions of sections 111A, 112 and 112A of the said Act, the rate of surcharge on the income-tax in respect of that part of income shall not exceed fifteen per cent. and the provisions of clause (*i*) or (*ii*), as the |

| | | | |
|---|---|---|---|
| | | | case may be, shall apply accordingly. |
| 11. | 115BAC (*1A*). | Association of persons consisting of only companies as its members. | (i) Where the total income exceeds Rs. 50,00,000 but does not exceed Rs. 1,00,00,000, at the rate of ten per cent.;<br><br>(ii) where the total income exceeds Rs. 1,00,00,000, at the rate of fifteen per cent. |
| 12. | 115BAD or 115BAE. | Every co-operative society resident in India. | Ten per cent. |
| 13. | 115AD(*1*)(*a*) | Specified fund, referred to in clause (*c*) of the *Explanation* to section 10(*4D*) of the said Act, whose income includes any income under section 115AD(*1*)(*a*) of the said Act. | No surcharge on income-tax computed on that part of income as referred to in section 115AD(*1*)(*a*) of the said Act. |

(*5*) For the purposes of sub-section (*4*), in respect of the persons mentioned in column B of the Table below, having total income chargeable to tax under sub-section (*1A*) of section 115BAC or section 115JB or section 115JC of the said Act, as the case may be, and such income exceeds the amount as specified in column C of the said Table but does not exceed the amount specified in column D thereof, the total amount payable as income-tax and surcharge thereon shall not exceed the amount determined as per the following formula:—

$T_o = R_o + S_o$

where,—

$T_o$ = the total amount beyond which the total amount payable as income-tax and surcharge thereon shall not exceed;

$R_o$ = the total amount payable as income-tax and surcharge, if applicable, on an amount as specified in column C of the Table below; and

$S_o$ = the total income – amount as specified in column C of the said Table.

TABLE

| Sl. No. | Person specified in Table below clause (b) of sub-section (4) | Amount | Amount |
|---|---|---|---|
| A | B | C | D |
| 1. | Persons specified against Sl. Nos. 1 and 2 in column C. | Rs. 50,00,000. | Rs. 1,00,00,000. |
| | | Rs. 1,00,00,000. | Rs. 2,00,00,000. |
| | | Rs. 2,00,00,000. | Rs. 5,00,00,000. |
| | | Rs. 5,00,00,000. | - |
| 2. | Person specified against Sl. No. 3 in column C. | Rs. 50,00,000. | Rs. 1,00,00,000. |
| | | Rs. 1,00,00,000. | - |
| 3. | Person specified against Sl. No. 4 in column C. | Rs. 1,00,00,000. | Rs. 10,00,00,000. |
| | | Rs. 10,00,00,000. | - |
| 4. | Person specified against Sl. No. 5 in column C. | Rs. 1,00,00,000. | - |
| 5. | Persons specified against Sl. Nos. 6 and 7 in column C. | Rs. 1,00,00,000. | Rs. 10,00,00,000. |
| | | Rs. 10,00,00,000. | - |
| 6. | Persons specified against Sl. Nos. 10 and 11 in column C. | Rs. 50,00,000. | Rs. 1,00,00,000. |
| | | Rs. 1,00,00,000. | Rs. 2,00,00,000. |
| | | Rs. 2,00,00,000. | - |

(*6*) The amount of income-tax as specified in sub-sections (*1*) to (*5*) and as increased by the applicable surcharge, for the purposes of the Union, calculated in the manner provided therein, shall be further increased by an additional surcharge, for the purposes of the Union, to be called the "Health and Education Cess on income-tax", calculated at the rate of four per cent. of

such income-tax and surcharge so as to fulfil the commitment of the Government to provide and finance quality health services and universalised quality basic education and secondary and higher education.

(*7*) For the purposes of this section and Parts I-A and IV-A of the First Schedule,—

(*a*) "domestic company" means an Indian company or any other company which, in respect of its income liable to income-tax under the said Act for the assessment year commencing on the 1st day of April, 2026, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income;

(*b*) "net agricultural income" in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV-A of the First Schedule;

(*c*) all other words and expressions used in this section and Parts I-A and IV-A of the First Schedule but not defined in this sub-section and defined in the said Act shall have the meanings, respectively, assigned to them in said Act.

Income-tax under Act 30 of 2025.

**3.** (*1*) Subject to the provisions of sub-sections (*2*), (*3*), (*4*) and (*5*), for the tax year commencing on the 1st day of April, 2026, income-tax shall be charged under the provisions of the Income-tax Act, 2025 (herein referred to as the said Act) at the rates specified in Part I-B of the First Schedule and such tax shall be increased by a surcharge, for the purposes of the Union, calculated in each case in the manner provided therein. 30 of 2025.

(*2*) (*a*) Where an assessee as specified in column B of the Table below, has, in the tax year, any net agricultural income exceeding ₹ 5000, in addition to the total income, and the total income exceeds the maximum amount not chargeable to income-tax as specified in column C of the said Table, in respect of the said assessee, the net agricultural income shall be taken into account only for the purpose of charging income-tax in respect of the total income.